



**Publisher**

Tom Barnes  
tom.barnes@lbresearch.com

**Subscriptions**

Claire Bagnall  
claire.bagnall@lbresearch.com

**Senior business development manager**

Adam Sargent  
adam.sargent@gettingthedealthrough.com

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# Healthcare M&A 2021

**Contributing editors**

**Jason Zimmel, Philippa Chatterton and Charlotte Beston**  
CMS Cameron McKenna Nabarro Olswang LLP

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Lexology Getting The Deal Through is delighted to publish the third edition of *Healthcare M&A*, which is available in print and online at [www.lexology.com/gtdt](http://www.lexology.com/gtdt).

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Jason Zimmel, Philippa Chatterton and Charlotte Beston of CMS Cameron McKenna Nabarro Olswang LLP, for their continued assistance with this volume.



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For further information please contact [editorial@gettingthedealthrough.com](mailto:editorial@gettingthedealthrough.com)

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# China

Cindy Hu

East & Concord Partners

## TRANSACTIONAL ISSUES

### Structures

#### 1 | What is the typical structure of a healthcare-related business combination in your jurisdiction?

In China, the typical structure of a healthcare-related business combination includes equity interest purchase, asset purchase and management rights purchase. The first two transaction structures are to acquire the equity interest or the assets and business of the target hospital. The management rights purchase is to obtain the operation and management rights of the target hospital within a certain period of time.

In China, hospitals can be categorised into for-profit hospitals and non-profit hospitals according to whether they can distribute profits to shareholders or investors. According to the different types of registered legal entities or organisations, for profit hospitals can be divided into:

- hospitals with independent legal person status (for-profit legal persons) registered as limited companies, companies limited by shares, and foreign-invested enterprises; and
- hospitals without legal person status registered as sole proprietorship enterprises or partnership enterprises (unincorporated organisations).

In terms of legal entities/organisations, non-profit hospitals are categorised as: (1) hospitals with public institution legal person status, which are run by the government or state-owned enterprises (public hospitals), and (2) private non-profit hospitals mainly run by social capital (private non-profit hospitals).

Since different types of legal entities/organisations are subject to different laws and regulations, and there is no direct legal means to transform from one type to another, therefore the above-mentioned transaction structures would vary depending on the nature of the types of entities/organisations accordingly.

Generally, the equity interest purchase or the asset purchase can be generally applicable to for-profit legal person hospitals; the procedure of the equity interest purchase is more direct than that of the asset purchase, which reduces and avoids the complicated procedures involved in the transfer of asset ownership, and it may be preferable to an asset purchase in terms of tax cost involved in the transaction. Therefore, equity interest purchase is more widely chosen in the combination of for-profit hospitals.

In the combination of non-profit hospitals, the equity combination or the asset combination would have the following restrictions:

- the equity interest purchase cannot be directly used in the combination of non-profit hospitals, but if the founder of the target hospital is a corporate legal person (the founder company), the equity acquisition can be implemented indirectly by acquiring the equity interest of the founder company, provided that the acquisition should not change the non-profit nature of the target hospital.

Otherwise, the transaction may not be approved or complicated procedures for transforming non-profit hospitals to for-profit hospitals may be required;

- the Law of the People's Republic of China on Basic Medical Care and Health Promotion (Healthcare Law), which is the first basic and comprehensive law in the field of healthcare enacted recently, stipulates that hospitals run by governments shall not invest with other organisations to establish healthcare institutions without independent legal person status, nor shall they cooperate with social capital to establish for-profit healthcare institutions. Therefore, investment for the combination of government hospitals will face the aforementioned legal restrictions;
- in an asset purchase of public hospitals, the transaction shall follow state-owned asset supervision procedures. In addition, asset purchases are not applicable to acquisition of private non-profit hospitals; and
- acquiring non-profit hospitals by foreign investors, will not be approved in practice. Owing to the aforementioned restrictions on equity or asset combinations of non-profit hospitals, the management rights purchase remains the main transaction structure used.

### Timeline

#### 2 | How long do healthcare business combinations usually take, and what factors tend to be most significant in determining the timing to completion?

A healthcare business combination may take one to three years to complete. The timeline varies depending on the complexity of the transaction. The main factors influencing the transaction timeline include:

- internal authorisation and approval from the board of directors or the shareholders of the target company and all parties related to the transaction;
- any third-party consents;
- approval from the health commission; and
- registration procedures for the change of ownership of equity interest or assets with the registration authority.

If the transaction involves the sale of state-owned equity interest or assets, foreign investment, concentration of undertakings and other issues, further requirements also include:

- following the state-owned assets assessment and filing procedures;
- the transaction shall be conducted publicly on the assets and equity exchanges;
- the examination and approval procedures for acquisitions by agreement;
- the approval procedures for foreign investment; and
- reporting concentration of undertakings to the Anti-monopoly Bureau of the Ministry of Commerce of the People's Republic of China.

## Representations and warranties

- 3 | What are the typical representations and warranties made by a seller in healthcare business combinations? What areas would be covered in more detail compared with a more general business combination?

Given that the healthcare industry is a heavily regulated industry, common representations and warranties made by a seller in healthcare business combinations include that:

- the target hospital is a medical institution incorporated and operated in accordance with the law, and holds all the requisite qualifications and licences in relation to its medical business; and
- the ownership of the equity interest or assets to be sold by the seller is clear, lawful and effective, and free of dispute or encumbrance.

Compared to M&As in other industries, the warranties and representations in healthcare industry place more emphasis on the practising licences, business qualifications of hospitals and the medical staff, assets and equipment ownership of hospitals.

## Due diligence

- 4 | Describe the legal due diligence required in healthcare business combinations. What specialists are typically involved? What searches would typically be carried out?

The main purpose of the legal due diligence required is to examine the target's compliance with relevant laws and regulations, and ensure the purchaser or the continuing entity will be able to operate its business in compliance with all the necessary licences and permits.

The legal due diligence usually places great emphasis on the legality and validity of the target hospitals' legal status and qualifications, business licenses and qualifications, main assets (real estate, medical equipment, core intellectual property rights), major creditors' rights and debts and business contracts, the management and core medical personnel, legal disputes and penalties for violation of regulations.

If the target company implements an innovative business model or engages in innovative business, such as online medical treatment, storage and application of medical and health big data, due diligence shall include an assessment of regulatory trends, and the legality of the business model or the business itself.

If the transaction involves innovative technologies, such as biopharmaceuticals and artificial intelligence, the legal due diligence often places great emphasis on the examination of intellectual property rights and the product's regulatory approvals on the markets.

## Risk exposure

- 5 | If due diligence is not correctly undertaken, what specific healthcare risks might buyers inherit?

In both equity acquisition or asset acquisition, if due diligence is not properly undertaken, a key risk is that after the acquisition the purchaser or the continuing entity cannot own the assets to carry out the healthcare business that it should or that it cannot obtain the approval, practising licence and qualification required for carrying out the healthcare business. In addition, if the due diligence fails to check or discover the contingent liabilities and risks of the target, the purchaser may face the risks of an increase in acquisition cost and potential debt repayment. In a management rights purchase, the main risks that the purchaser exposed to are that the purchaser could not actually obtain the independent operation and management rights of the target hospital, the return on investment cannot be guaranteed or the contract may be terminated.

## Specific diligence issues

- 6 | How do buyers typically approach specific material diligence issues in healthcare business combinations?

The purchaser usually addresses the material due diligence issues in the transaction documents. Typically, these risks are addressed in the provisions of the representations and warranties, conditions on closing the seller's specific obligations or indemnifications.

## Conditions before completion

- 7 | What types of pre-closing conditions are most common in healthcare business combinations?

Pre-closing conditions are highly dependent on the overall situation of target hospital or asset or the transaction and are often heavily negotiated. In healthcare business combinations, common and non-controversial pre-closing conditions include the completion of the necessary financial, legal and commercial due diligence on the target hospital or the underlying assets, the internal authorisation and approval procedures to be performed by both parties for implementing the transaction, the relevant approval or permission required by laws and regulations as well as the regulatory departments, and third-party consents and permission. In the equity acquisition, third-party consent would typically include that the target hospital or the seller shall, upon equity sale or major changes of equity of the target hospital, be obliged to obtain the consent of counterparties in accordance with the agreements which are entered into by the said target hospital or the seller and financial institutions, creditors, investors or key business partners. In an assets acquisition, third-party consent typically means that the target hospital or the seller shall, upon asset sale, be obliged to obtain the consent of counterparties in accordance with the law or the agreements that are entered into by the said target hospital or the seller and the obligees of the assets (such as creditors and lessors) and other counterparties related to assets and business.

In addition to the above circumstances, other pre-closing conditions depend on the negotiation between the two parties. These conditions mainly involve the resolution and settlement of the material issues found in due diligence.

## Pre-closing covenants

- 8 | What sector-specific covenants are usually included to cover the period between agreement and completion in healthcare business combinations?

The sector-specific covenants in healthcare business combinations include:

- maintaining the necessary qualification licence and practising status of the target hospital and its medical staff;
- maintaining all operating assets and equipment (including intellectual property) of the target hospital in normal operation and good maintenance state;
- maintaining the normal operation of the target hospital;
- not transferring or reducing business resources;
- or not making any decision in any way that has a major adverse effect on the hospital's own assets, business and personnel.

## W&I insurance

- 9 | What specific provisions are commonly seen in warranty and indemnity insurance policies for healthcare business combinations compared with general business combinations?

At this point, warranty and indemnity insurance policies are seldom used in healthcare business combinations.

## Specific documentation

10 | Is there any sector-specific documentation typically used in healthcare business combinations? Does this differ depending on the structure of the transaction?

In an equity acquisition, it is necessary for the relevant practising qualifications and permits of the target hospital and its medical staff to remain the same, and the transaction needs to go through the registration procedures for the change of the relevant practising permits and licences with the health commission. In the asset acquisition, the ownership of the underlying asset should be ensured to transfer to the purchaser. If the seller contributes the assets of the hospital to establish a joint venture company with the buyer, the underlying assets should be registered under the name of the new company, which should apply for a new medical institution practising licence from the health commission. In the acquisition of management right, the above-mentioned business qualification, personnel, asset ownership and other matters should be in a legal, effective and unchanged status. If the acquisition of management rights involves the change of the main responsible person of the target hospital, the registration procedures for the change of medical practising licence shall be handled by the health commission.

## Post-completion undertakings

11 | Which post-completion undertakings are common in healthcare business combinations? Which undertakings are common?

The common post-completion undertakings include but are not limited to:

- completing the change, transfer and handover procedures with the relevant government regulatory departments with regard to the relevant approval documents or qualification licences, assets and business contracts;
- clearing up any loose ends discovered in due diligence;
- specific personnel of the target hospital (such as shareholders, senior management personnel, core technical personnel and other personnel with confidentiality obligations) are required to agree to a restraint of trade preventing them from re-entering the market as a potential competitor; and
- the liability for breach of relevant non-competition, the right to terminate the combination agreement and the right to request for repurchase shall be clarified.

## REGULATION

### Laws and regulations

12 | What are some of the primary laws and regulations governing or implicated in healthcare-related business combinations? Are healthcare assets subject to specific regulation that would be material in a typical transaction? Is law and regulation of healthcare national or subnational?

The regulatory provisions involved in healthcare business combinations mainly include the establishment and access of medical institutions, the asset disposal of medical institutions and so on. Among them, the regulatory provisions for establishment and access of medical institutions mainly include the permits for establishment and practising of medical institutions, the registration of legal persons, the access to foreign capital and access of the internet to medical treatment. With regard to asset disposal, if the hospital belongs to the assets of public institutions or state-owned enterprises, it should follow the relevant regulations on the supervision of state-owned assets of public institutions and state-owned enterprises.

The relevant laws and regulations at the national level have been promulgated in relation to the above contents, and corresponding local regulations have also been formulated in different regions. The primary laws and regulations at the national level include, but are not limited to:

Category	Title	Effective date of the current edition
Laws	Law of the People's Republic of China on Basic Medical Care and Health Promotion	1 June 2020
	Foreign Investment Law of the People's Republic of China	1 January 2020
	Implementation Regulations for the Foreign Investment Law of the People's Republic of China	1 January 2020
Regulations	Administrative Regulations on Medical Institutions	6 February 2016
	Rules for Implementation of the Administrative Regulations on Medical Institutions	1 April 2017
	Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture and its supplementary provisions	1 July 2000
	Special Administrative Measures (Negative List) for Foreign Investment Access (2020 version)	23 July 2020
	The Interim Measures for the Management of State-owned Assets of Public Institutions	29 March 2019
Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises	24 June 2016	

## Consents, notification and filings

13 | What regulatory and third-party consents, notifications and filings are typically required for a healthcare business combination?

If the combination transaction involves the reform of state-owned enterprises and the disposal of state-owned assets, the state-owned assets assessment and filing procedures, transactions conducted publicly on the assets and equity exchanges, and approval procedures for acquisitions by agreement should be followed. If foreign investment is involved, the approval procedures with the health commissions and the foreign investment approval authorities should be followed. If a concentration of undertakings is involved, it should be reported to the Anti-monopoly Bureau of the Ministry of Commerce of the People's Republic of China in advance.

In an equity acquisition, third-party consent typically means that the target hospital or the seller shall, upon equity sale or major changes of equity of the target hospital, be obliged to obtain the consent of counterparties in accordance with the agreements that are entered into by the said target hospital or the seller and financial institutions, creditors, investors, key business partners. In the asset acquisition, third-party consent typically means that the target hospital or the seller shall, upon asset sale, be obliged to obtain the consent of counterparties in accordance with the law or the agreements that are entered into by the said target hospital or the seller and the obligees of the assets (such as creditors and lessors) and other counterparties related to the assets and business.

If the combination transaction involves changing the registration of the medical institution's name, place, main responsible person, registered capital, diagnosis and treatment subjects and the number of beds,

the change of registration of the medical institution's practising licence must be registered with the health commission.

If other specific business qualification management matters are involved, the relevant qualification certificate shall be changed, filed and renewed, such as:

- the radiation diagnosis and treatment licence;
- the hemodialysis room practising registration certificate;
- the judicial appraisal licence;
- the practising licence of the maternal and child healthcare technology service;
- the radiation safety licence; and
- the approval certificate for practising of health examination agencies.

If the combination transaction involves changing the registration of the legal subject of the target hospital, the relevant procedures for change should be handled with the original registration authority.

### Ownership restrictions

**14** | Are there any restrictions on the types of entities or individuals that can wholly or partly own healthcare businesses in your jurisdiction?

In China, there are clear restrictions on access to the healthcare industry, such as the qualification of the investor and the total investment amount with regard to foreign investment. In addition to the qualified investors from Hong Kong, Macao and Taiwan as defined in certain rules and regulations, who can invest for the establishment of wholly owned hospitals in the pilot area, other foreign investors can only invest in the medical industry in the form of joint venture, and their shareholding ratio should not exceed 70 per cent. Moreover, both parties to the joint venture should have investment and management experience in the medical industry, and should meet one of the following requirements:

- be able to provide international advanced management experience, management mode and service mode of medical institutions;
- be able to provide international leading medical technology and equipment; or
- be able to supplement or improve local medical service capacity, medical technology, funds and medical facilities.

The Sino-foreign joint venture medical institution to be established must be an independent legal person; the total investment amount should not be less than 20 million yuan; and the term of the joint venture should not exceed 20 years.

### Directors

**15** | Are there any restrictions on who can be director of healthcare businesses in your jurisdiction?

In China, there are clear requirements on the conditions and qualifications to act as government-run public hospital leaders, and the main conditions and requirements include professional knowledge and vocational quality, education level, work experience, professional training and physical conditions. There are no specific requirements for leaders of private hospitals. If the private hospital is a corporate legal person, its directors, supervisors and senior management personnel should be free from the unsuitable appointment circumstances as stipulated in article 146 of the Company Law of the People's Republic of China.

### Operating outside the home jurisdiction

**16** | What domestic regulatory issues might arise for a company based in your jurisdiction operating healthcare businesses in other jurisdictions?

As the healthcare industry in China is still under development, there are few cases of medical institutions headquartered in China operating healthcare business overseas. In addition, there are no specific rules or regulations governing the aforesaid overseas healthcare business investment. According to the relevant rules and regulations of overseas investment by a Chinese entity, the domestic headquarters company should engage in the filing and approval procedures for overseas investment with the national or local development and reform commission, the commercial commission, the foreign exchange department and other departments regarding the establishment of overseas branches.

If the headquarters are state-owned enterprises, foreign-invested enterprises or listed companies, special attention should be paid to the specific regulatory requirements.

### Cross-border acquirers

**17** | What domestic regulatory issues arise when the acquirers of healthcare businesses are based outside the jurisdiction?

If the purchasers are overseas investors (excluding qualified investors from Taiwan, Hong Kong and Macao as defined in certain rules and regulations), they shall meet certain regulatory requirements in terms of the subject qualifications, total investment, approval procedures, equity ratio, related management experience, medical technology and medical service capabilities. They should go through the relevant approval procedures with the development and reform commission, the commercial commission and the healthcare commission in accordance with the Foreign Investment Law of the People's Republic of China, Special Administrative Measures (Negative List) for Foreign Investment Access (2020 version), Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors, Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture. If the target company is a listed company in China, the relevant provisions of the Administrative Measures on Strategic Investment in Listed Companies by Foreign Investors should be followed. If the target equity interest or target asset of the combination are state-owned assets, the state-owned assets assessment and filing procedures, transactions conducted publicly on the assets and equity exchanges, and the examination and approval procedures for acquisitions by agreement should also be followed.

### Competition and merger control

**18** | What specific competition or merger control issues may arise in healthcare business combinations?

If foreign investors set up hospitals in China, Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture and the relevant policies of foreign investment access should be followed. Except for the said Provisional Measures and the policies, there are no special requirements for competition or merger control issues in the healthcare industry.

The regulatory provisions on competition or merger control issues mainly include the Anti-monopoly Law of the People's Republic of China and the Provisions of the State Council on the Declaration Standards for Concentration of Undertakings. In accordance with the above laws and regulations, if the combination meets the declaration standard of concentration of undertakings, it should be declared to the Anti-monopoly Bureau of the Ministry of Commerce in advance. If the combination fails to be declared or is required to prohibit the concentration of undertakings, it should not implement the concentration.

## State and private healthcare combinations

- 19 | Are there any differences for healthcare business combinations if the transaction relates solely to businesses servicing private clients rather than state-funded clients?

In China, whether the patients of medical institutions pay for their own expenses is related to whether the target hospital has obtained the qualification of designated medical institutions of basic medical insurance (designated medical insurance qualification), and the hospitals that have obtained the qualification can undoubtedly obtain more service objects. In the healthcare combination, if the target hospital obtains the medical insurance designated qualification, it will undoubtedly have more investment value under the same conditions. In China, non-profit hospitals enjoy favourable policies compared with for-profit hospitals in terms of tax, land and financial subsidies. However, non-profit hospitals are not allowed to distribute profits to investors, and there are strict restrictions on financial system and asset disposal in case of exit. In China, it is comparatively difficult to directly acquire equity or assets of non-profit hospitals.

## FINANCING AND VALUATION

### Financing

- 20 | How do buyers typically finance healthcare-related business combinations?

The buyers of healthcare-related business combinations are mainly strategic investors and financial investors. Among them, strategic investors, such as listed companies, can raise funds through refinancing (issuance of new shares and bonds) and share issuance of the listed companies to purchase target hospitals or underlying assets, or take shares as part of the transaction consideration; financial investors represented by private equity funds mainly raise funds through private placement. In addition, investors can also obtain project funds by raising their own funds or combination loans, but it is difficult to obtain combination funds through loans from banks.

### Security

- 21 | Describe the typical security structures in healthcare business combinations, including confirmation of any registration or notary fees in respect of the security documents.

In the healthcare business combinations, the seller will generally make a guarantee or an undertaking in relation to the contingent liabilities, qualification licence, professional ability, business resources and asset ownership of the target hospital or underlying assets, other than providing real estate mortgage or equity pledge, therefore, confirmation of registration or notarisation fees is not involved. The buyer can extend the payment period, take the installment payment method or reserve an appropriate proportion of the transaction price to deal with the transaction risk. In addition, the buyer can avoid the investment risk through the valuation adjustment mechanism in equity interest purchase of for-profit hospitals.

### Financial assistance

- 22 | Are there any financial assistance rules that arise in healthcare business combinations?

There are no specific financial assistance rules for healthcare business combinations.

## Price and consideration

- 23 | What pricing and consideration structures are typical in healthcare business combinations?

Under the equity interest purchase or asset purchase, the transaction pricing typically can be determined on the basis of the audited or evaluated net asset value. If the target equity interest or asset is state-owned, it should be based on the assessed value. Transaction consideration is usually paid in stages according to the progress of the transaction. In equity interest purchase of for-profit hospitals, the value adjustment mechanism can also be set up to control the investment risk. However, in the combination project of non-profit medical institutions, as non-profit hospitals cannot distribute profits, and the acquisition of equity and assets are restricted, therefore, the pricing and consideration structures in the acquisition of non-profit hospitals will be difficult to apply. The management rights purchase is usually adopted in the acquisition of non-profit hospitals, the acquirer obtains investment returns by way of entrusted management and charge management and service fees from the target hospitals.

## Enterprise value

- 24 | How are healthcare-related businesses typically valued?

Healthcare-related businesses generally are valued using several basic evaluation methods, such as the market method, income method and cost method, among which, the earn-outs method shall not apply to the combination of non-profit hospitals. In practice, especially in the combination of non-profit medical institutions, the same evaluation method will produce different valuation results under different transaction modes, and there is no suitable project valuation model currently. In the acquisition of asset-light healthcare businesses such as online healthcare-related business, earn-outs are more in line with actual market expectations for evaluation.

## TAX

### Typical issues in combinations

- 25 | What are some of the typical tax issues in healthcare business combinations and to what extent do these typically drive structuring considerations? Are there certain considerations that stem from the tax status of a target?

The applicable type of tax and tax rate of the target, whether to enjoy the tax preference and whether there is the risk of tax non-compliance are the key issues in healthcare business combinations, which may affect the transaction cost and consideration. In addition, the tax burden borne by the acquirer and the transferor and the target enterprise may be quite different under different transaction structures.

### Tax risks for healthcare businesses

- 26 | What are the typical tax risks that are associated with healthcare businesses? What measures are normally taken to mitigate those typical tax risks in healthcare business combinations?

For an equity interest purchase, the taxes involved mainly include stamp tax (to be borne by both the buyer and the seller) and income tax (to be borne by the seller for the gains arising from the sale of the equity interest). The tax liabilities of the target company will remain unchanged after the acquisition.

For an asset purchase, the taxes involved by the buyer normally include deed tax and stamp tax, while the taxes involved by the seller include stamp tax, income tax, value-added tax and land value-added



tax, etc. The specific taxes shall be determined according to the actual target assets to be transferred.

If foreign investors implement an acquisition through a company established in Hong Kong, they can enjoy reductions or concessions in corporate income tax, dividend withholding tax, interest withholding tax and franchise tax, according to the relevant tax treaties between Hong Kong and other countries.

It is highly recommended that the buyer seek advice from tax consultants for overall tax planning, verifying the specific types of tax, tax rates and tax bases involved in the transaction.

## PUBLIC RELATIONS AND GOVERNMENT POLICY

### Public relations

#### 27 | How do the parties address the wider public relations issues in healthcare business combinations?

In China, the common public relations issues in healthcare business combinations include basic healthcare security and the prohibition of dividends for non-profit medical institutions. Whether it is a for-profit medical institution or a non-profit medical institution, assuming public responsibility will help to foster positive image of the investor or the target hospital, and facilitate the approval for the establishment of medical institution and the qualification of designated medical insurance. Acquirers should choose the appropriate target according to their business purpose.

### Policy

#### 28 | How do parties address the wider political issues in healthcare business combinations?

In China, the healthcare industry is greatly influenced by governmental policies and legislation. Under the current policy and legal environment, government-run healthcare institutions should not make an investment with other organisations for the establishment of healthcare institutions without independent legal person status, nor should they cooperate with social capital to set up for-profit healthcare institutions. In addition, the access policy of foreign-funded medical institutions is becoming stricter, and investors should adjust the direction and strategy of combinations in accordance with the changes of policies and laws.

## UPDATE AND TRENDS

### Recent developments

#### 29 | What are the current trends, and what developments are expected in healthcare business combinations in your jurisdiction in the coming year?

In China, except for government hospitals, healthcare business combinations are expected to remain active in the foreseeable future. Affected by covid-19, online healthcare has developed significantly. In addition, Chinese laws strictly limit government hospital services to the scope of Basic Medical Care, leaving room for the development of social capital in the high-end healthcare market. At the same time, with China's aging population, the healthcare industry will continue to grow.



天達共和律師事務所  
East & Concord Partners

Cindy Hu  
cindyhu@east-concord.com

20/F Landmark Building Tower 1  
8 Dongsanhuan Beilu  
Chaoyang District  
Beijing  
China  
Tel:+8610 6590 6639  
Fax:+8610 6510 7030  
www.east-concord.com

### Coronavirus

#### 30 | What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

The central government and local governments have made considerable efforts to fight the covid-19 pandemic.

In the aftermath of this pandemic, the government will improve the institutional mechanisms for the prevention and control of major epidemics, the national public health emergency management system, the public health service system, the major epidemic treatment system, the disease prevention and control system, the national biosafety laws and regulations system and the institutional guarantee system. The government will also attach importance to improving the training of general practitioners, the system of graded diagnosis and treatment, the system of medical insurance and assistance for major disease, the system of instant settlement of medical insurance across the country, and the system of medical fee exemption for special groups and specific diseases.

On 25 September 2020, the Standing Committee of the Beijing Municipal People's Congress deliberated and passed the Beijing Municipal Regulation on Responses to Public Health Emergencies, which makes clear provisions on the monitoring and reporting, handling authorities and emergency measures of and during public health emergencies in Beijing, as well as matters of accountability.

On 17 October 2020, the Biosafety Law of the People's Republic of China was officially promulgated and implemented on 15 April 2021. The law aims at biosafety risks such as major new or sudden outbreaks of infectious diseases epidemics in animals and plants, security of biotechnology research, development and application biosecurity of pathogenic microbe laboratories, security of human genetic resources and biological resources prevention of bioterrorism and biological weapon threats, etc. The supervision and law enforcement in the field of biosafety will be comprehensively strengthened. In this context, it is necessary for biological enterprises to focus on the legislation and law enforcement trends and continuously improve and control biosafety.

On 8 January 2021, the executive meeting of the State Council stressed that the revision of the Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases and the improvement

of the prevention and control system of infectious diseases should be actively promoted. It is expected that the new law will be issued within this year, which will legally improve the prevention and control measures of new or sudden outbreaks of infectious diseases, and help to build a complete, scientific, standardised and effective legal system for epidemic prevention and control.

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